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December 13, 2005

## **AGENDA ITEM 6**

**TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Update on Partnership for Change
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information only
- IV. ANALYSIS:**

### **Background**

The CalPERS Board of Administration approved the “Partnership for Change: Promoting Value in Hospital Care” in February 2005. The Partnership for Change initiative has three components:

- Hospital Value Initiative (efficiency metrics),
- Hospital Quality Measurement (California Health Assessment and Reporting Taskforce) and,
- Health Care Purchasers’ Coalition

This is the third progress report to the Board on the Partnership for Change.

### **Hospital Value Initiative (HVI)**

The HVI objectives are to:

- Build core stakeholder consensus around a standard set of metrics to evaluate the cost-efficiency of California hospitals.
- Recommend a plan for implementation of a hospital efficiency measurement system for the California marketplace.
- Create cost measures that, when linked with appropriate quality measures, will provide a holistic picture of hospital performance.
- Evaluate vendors for data processing capability of the new measures.

The first step toward creating the HVI was to pull together a Technical Working Group to evaluate existing efficiency measures. The Technical Working Group includes CalPERS, Pacific Business Group on Health (PBGH), Blue Shield, Blue Cross, PacificCare, Health Net, and the California Healthcare Coalition.

The Technical Working Group began metric evaluation last July. A critical element is that throughout the process, the Technical Working Group will engage key stakeholders such as health plans, hospitals, labor organizations, consumer groups, and other large purchasers. The Technical Working Group will gather comments from these stakeholders on selected measures and implementation issues. The timeline calls for data collection to begin by April 2006.

### **Hospital Quality Measurement (California Health Assessment and Reporting Taskforce (CHART))**

Cost measures must be linked with quality measures to provide a true picture of a hospital's performance. Quality measures are critical to the Partnership's long-term success. Although not an initiative of CalPERS, the California Health Assessment and Reporting Taskforce (CHART), an on-going project launched in January 2004, is ideally suited to provide comprehensive measures of hospital quality. CalPERS is a member of the CHART Steering Committee.

CHART is led by researchers at the University of California, San Francisco, and is supported by the California Healthcare Foundation, health plans and hospitals. CHART brings together all relevant stakeholders including purchaser, health plan, hospital, and consumer representatives to identify key measures of hospital performance for public reporting. Hospitals voluntarily agree to participate in the CHART data collection and reporting process.

The goals of the CHART project are to:

- Promote efforts in performance measurement and public reporting.
- Promote standardization of hospital performance measurement requirements and reduce the burden of compliance.
- Educate and engage consumers concerning their health care choices.
- Provide reliable data for purchasers and health plans to make buying decisions.
- Provide hospitals with benchmarked, comparative data to use for quality improvement.

CHART has been extremely successful in securing participation of the hospital community. Over 230 California hospitals have agreed to participate in CHART, including 75 percent of all hospitals with an average daily census of 75 or more, and 100 percent of those hospitals with an average daily census greater than 300 patients.

CHART identified over 50 hospital performance indicators for 2005 and 2006. These include process and outcome measures in specific clinical areas and hospital-wide outcomes such as infection control. Whenever possible, CHART

aligned its measures with national initiatives such as the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and the National Quality Forum (NQF).

CHART staff is currently conducting hospital staff training sessions; hospital data collection will begin in the spring of next year. CHART has scheduled the first published report of the hospital performance measures for the summer of 2006.

### **Health Care Purchasers' Coalition**

Building a coalition of like-minded purchasers is crucial for the Partnership's success. A coalition of purchasers is a powerful force for change in the marketplace beyond what any single entity can accomplish alone. CalPERS is asking health care purchasers to:

- Endorse the Partnership for Change.
- Work with their health plan partners to require hospitals to adopt a common set of clinical quality standards and cost-efficiency metrics as a requirement for contracting.

The September Health Care Purchasers' Conference "Partnership for Change: Promoting Value in Hospital Care" at CalPERS headquarters in Sacramento was a great success. It was well-attended and stimulated discussion and attention at the state and national level.

CalPERS will continue to build the Partnership endorser community and keep endorsers apprised of actions, events, and accomplishments achieved in the other components of the Partnership. For example, staff sent conference attendees and Partnership endorsers a DVD of the conference speakers' presentations.

At present, staff is focusing endorser recruitment efforts on those public and private purchasers that have employees in California, but endorsement from the national community will magnify the Partnership's effectiveness.

### **Future Plans**

As CalPERS works with stakeholders to advance all three components of the Partnership for Change, the next steps include the following:

- Continue to build a group of endorsers and provide them with on-going information about the Partnership.
- Continue to work with and support CHART.
- Reach consensus on a set of efficiency metrics through the Hospital Value Initiative.

- Consider whether to move the Partnership for Change efforts into clinics and physician offices.

**V. STRATEGIC PLAN:**

This item supports Health Goal XII: Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost.

**VI. RESULTS/COSTS:**

Staff is implementing the steps adopted by the Board to advance the Partnership for Change, to reduce health care costs, ensure a high value hospital network for our members, and improve the overall quality and efficiency of care provided by network hospitals.

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